

No. 16266

IN THE

# United States Court of Appeals

FOR THE NINTH CIRCUIT

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NEFF INSTRUMENT CORPORATION, a corporation,  
*Appellant,*

*vs.*

COHU ELECTRONICS, INC., a corporation, and NEELY EN-  
TERPRISES, a corporation,  
*Appellees.*

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## APPELLANT'S REPLY BRIEF.

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## APPELLANT'S REPLY BRIEF.

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Upon each of the several grounds specified in the opening brief for plaintiff-appellant, a reversal of the Summary Judgment entered by the District Court is required. Several of the specified grounds and questions presented by the Appeal are totally ignored in the brief of the defendant-appellees. For convenience, and before answering the defendant-appellees' argument, each of the following grounds for reversal is present in the case:

1. At the time of the Hearing in the District Court, numerous genuine issues of material fact were before the Court.

2. The defendant-appellees were not entitled to judgment as a matter of law in the District Court.

3. The defendant-appellees did not establish as a matter of law that the Government had given its authorization or consent to the infringement of patents.

4. The Summary Judgment was based upon an improper finding of fact in that the District Court did not and could not find that there was no genuine issue of material fact present in the case.

5. The District Court summarily resolved genuine issues of material fact present in the case.

6. The application of the doctrine of *de minimis non curat lex* by the District Court is contrary to established rules of law and functions as an unlawful taking of the property of the plaintiff-appellant without due process of law and without just compensation.

7. The defendant-appellees' affidavits did not meet the requirements specifically set forth in Federal Rule 56(e).

8. The District Court erroneously refused to order the defendant-appellees to answer the plaintiff-appellant's interrogatories, thereby foreclosing the plaintiff-appellant from the discovery to which he was entitled.

Apparently, the defendant-appellees acquiesce as to several of the grounds set forth above, inasmuch as their brief contains no argument with respect to grounds 2, 4, 5, 7 and 8. Even though any one of the above set forth grounds ignored by the defendant-appellees is a sufficient basis for reversal by this Court, this reply brief is presented to illustrate the inadequacy of the defendant-ap-



pellees' arguments which were presented as to grounds 1, 3 and 6. Reference is made to the plaintiff-appellant's opening brief for a complete discussion of each of the several grounds of the Appeal.

### **Genuine Issues of Material Fact.**

Notwithstanding the statements of the defendant-appellees to the contrary, the affidavits before the District Court raised numerous genuine issues of material fact which require trial. Conflicts between the defendant-appellees' own affidavits raise issues as to the credibility of the affiants, which issues are in themselves genuine and material to a proper adjudication. Instances of infringing activity nowhere mentioned by the defendant-appellees were brought before the District Court and have never been explained. Even one such issue of fact precludes the granting of Summary Judgment. (*Cee-Bee Chemical Co., Inc. v. Delco Chemicals, Inc.*, decided Dec. 22, 1958, 263 F. 2d 150 (C. C. A. 9).) No authority is cited by defendant-appellees to the contrary. In reviewing this case, it is the duty of this court to scrutinize carefully the affidavits of the defendant-appellees, giving the benefit of every doubt to the plaintiff-appellant. (*Walling v. Fairmont*, 139 F. 2d 318, 322 (C. C. A. 8, 1943).)

The defendant-appellees urge in their brief that the matter of the granting of a Summary Judgment is discretionary. Such a view is incorrect. While the *denial* of the motion may be discretionary, the *granting* of a motion for Summary Judgment is not discretionary since Rule 56 requires that the moving party be entitled to judgment as a *matter of law* and that no genuine issue of material fact be present in the case.

### Government Authorization or Consent Not Shown.

At no point in their brief do the defendant-appellees urge that there has been any direct government authorization or consent to the infringement of patents as required by 28 U. S. C. Section 1498. The defendant-appellees' own affidavits merely allege that certain 114A amplifiers were sold "in connection with" Government contracts, and that tags of some sort had been affixed to certain amplifiers. In most instances, if not all, the defendant-appellees sold 114A amplifiers to civilian purchasers. Thus, they were at most subcontractors who were required to secure the authorization or consent of the Government to bring into operation 28 U. S. C. Section 1498.

Authorization or consent is one of the issues of fact in the case before the Court. At most, the affidavits of the defendant-appellees are circumstantial evidence as to the issue of authorization or consent. To arrive at a finding of authorization or consent, from the circumstantial evidence, there must first be drawn an inference of delivery by the civilian purchasers to the Government. Then based upon the inference of delivery, there must be drawn an inference of acceptance by the Government. Then based upon the inference of acceptance, there must be drawn an inference of authorization or consent to the infringement of patents. Surely, such a cascading of inferences to arrive at a finding of the requisite authorization or consent is a fact finding and resolving process which should take place, if at all, at trial. Certainly, it cannot be said that



authorization or consent existed as a matter of law based upon a cascade of inferences drawn from circumstantial evidence.

In contrast to the present case, in each of the several cases cited by defendant-appellees, the District Court took full jurisdiction of the case and a full hearing at time of trial was given in the District Court before rendering a finding of authorization or consent based upon use or acceptance by the Government.

The defendant-appellees urge that Summary Judgment is the appropriate remedy, citing a case which was decided in 1937 prior to the existence of the Summary Judgment procedure and which did not involve a Summary Judgment (*Brooms v. Hardie-Tyne Mfg. Co.*, 92 F. 2d 886 (C. C. A. 5, 1937)) and another case in which there was an appeal from a judgment after trial (*Bereslavsky v. Esso Standard Oil Co.*, 175 F. 2d 148 (C. C. A. 4, 1949).) Although neither of these cases is controlling here, if Summary Judgment is appropriate, the defendant-appellees must comply with the requirements of Rule 56 and the decisions of this Court relating thereto. This they have not done. Certainly the possible application of 28 U. S. C. Section 1498 at the time of assessing damages does not afford a unique basis for departing from the established requirements of the Summary Judgment procedure.

### De Minimis Doctrine.

The misapplication of the *de minimis* doctrine by the District Court is urged as being proper by the defendant-appellees without citation of any authority. Never before has this doctrine been applied to dispose of a patentee's rightful cause of action. Within the Ninth Circuit, the correct rule is set forth in *Northill v. Danforth*, 51 Fed. Supp. 928, aff'd. 142 F. 2d 51, which held specifically that the *de minimis* rule did not apply to dispose of instances of non-government sales even where 99.41% of the sales were sales to the government and only .59% of the sales were to civilians. The application of the *de minimis* doctrine raises serious constitutional issues since the denial of the plaintiff-appellant's right to sue would be an unlawful taking of a property right without due process of law and without just compensation (U. S. Const., 5th Amend.).

Without obscuring the true issues before this Court, the plaintiff-appellant and its attorney each take exception to and deny the accusation made in the defendant-appellees' brief. The untruth of the accusation is apparent from the face of the San Diego Union newspaper article (Appx. "C", App. Br.) which indicates that plans for exploitation of the civilian market were disclosed by Cohu Electronics, Inc., one of the defendant-appellees. The Court's attention is directed to the fact that the newspaper article forms a part of the original record in the District Court [see the Objections to the Findings of Fact and Conclusions of Law, Original Record p. 155, not reproduced in the printed Transcript].

### Conclusion.

Appellants have brought before this Court grounds demanding reversal of the District Court's entry of Summary Judgment. Numerous genuine issues of material fact were before the District Court. The defendant-appellees did not sustain their burden and were not entitled to judgment as a matter of law. The requisite Government authorization or consent under 28 U. S. C. Section 1498 was not established as a matter of law. The District Court summarily resolved issues of fact. The District Court's judgment is not supported by the findings. The doctrine of *de minimis non curat lex* was erroneously applied. The defendant-appellees' affidavits were defective and should have been disregarded under Rule 56(e). The District Court refused to allow proper discovery by the plaintiff-appellant. On each of the above grounds this Court should reverse the judgment and remand the case to the District Court along with adequate instructions to carry into effect the ruling of this Court at time of trial.

Respectfully submitted,

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